



Green Bond Framework

November 2019



Introduction

At Landsec, we believe great places are for people to experience and are made with the experience of great people. Our purpose is to provide the right space for our customers and communities so that businesses and people can thrive. We do this to create long-term financial, physical and social value. Together, these create sustainable value for our shareholders.

We own and manage some of the most successful and recognisable property assets in the UK. Our portfolio is a diverse mix of offices, retail and leisure in London, and retail and leisure across the rest of the country. As at 30 September 2019, our portfolio was valued at £13.4bn across 23.7 million sq ft.

We aim to lead our industry on sustainability, by addressing critical long-term issues – from climate change and its impact on the built environment to high levels of unemployment and inequality in some local communities. To address these issues, our sustainability programme is split into three core areas:

- **Creating jobs and opportunities:** This not only strengthens the communities in which we operate, it also helps us to attract great people to Landsec and build a strong workforce for the future.
- **Efficient use of natural resources:** We not only minimise our impact on the environment, but we also improve our resilience as a business and lower our costs.
- **Sustainable design and innovation:** Making our spaces more efficient, developing in a sustainable way, and always looking for new and better ways of doing things help us deliver the very best experiences for our customers.

We have clear and stretching commitments in these three areas and we're working hard to embed sustainability across the business. We consider the long- and short-term implications of our asset decisions, from buying to developing, managing or selling assets.

Leadership in climate resilience

With the built environment accounting for nearly 40% of all emissions in the UK, we aim to lead the way in reducing emissions.

Following the two-degree pledge made at the COP21 Convention on Climate Change in Paris, in 2016 we became the first property company in the world to have its carbon emissions target approved by the Science Based Targets initiative.

In November 2019, we announced our commitment to becoming a net zero carbon business by 2030 and we increased the ambition level of our science-based target, aligning it with a 1.5-degree scenario. Our science-based carbon reduction target is a key part of our net zero carbon strategy. In addition to reducing our operational emissions and committing to the procurement of renewable electricity, we're implementing an internal shadow carbon price to drive investment towards cleaner projects. We're also reducing carbon emissions across our construction activities by carefully selecting every raw material we use. And lastly – and this really is the last resort – we'll offset the remaining carbon from our construction impacts.

We were also one of the first companies globally to join all three of The Climate Group's RE100, EP100 and EV100 campaigns, a series of commitments for businesses to procure renewable energy, improve energy productivity and invest in electric transport infrastructure. Finally, we are committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), assessing and mitigating climate change risks across our portfolio, as well as, providing our stakeholders and investors accurate data and insight about the climate related risks and opportunities which are relevant to our business.

Through our ambitious commitments and targets, we're supporting the transition to a low-carbon world, creating benefits for our bottom line, reducing our customers' costs and bringing our partners along with us.

Our current environmental corporate commitments are:

1. Reduce absolute carbon emissions by 70% by 2030 from a 2013/14 baseline year, for property under management of at least two years.
2. Reduce energy intensity (kWh/m²) by 40% by 2030 compared to a 2013/14 baseline year for property under management of at least two years.
3. Ensure 100% of our electricity supplies through our corporate contract are from REGO-backed renewable sources.
4. Achieve 3 MW of renewable electricity capacity by 2030.
5. Send zero waste to landfill with at least 75% recycled across all operational activities by 2020.

More details on our sustainability strategy and performance can be found at landsec.com/sustainability.

Green Bond Framework

This Green Bond Framework outlines how we propose to use the proceeds of Green Bonds to fund eligible green projects that support our business strategy. This framework is aligned with both the Climate Bond Initiative Standards and the International Capital Market Association (ICMA) Green Bond Principles. It is also consistent with the objectives set out in the latest EU Technical Expert Group on Sustainable Finance Taxonomy.

Use of proceeds

An amount equivalent to the net proceeds from the issuance of the Green bonds will be used to (re)finance, in part or in full, new and/or existing Eligible Green Assets and Eligible Green Projects, within one of the categories detailed below.

Eligible Green Assets refer to new or existing Green commercial buildings (including commercial residential) located in the United Kingdom and shall meet the eligible criteria defined below:

Eligible Green Category	Description of Eligibility Criteria
Green Buildings	<p>A. New developments or major refurbishments¹ of commercial buildings matching at least two of the following criteria:</p> <ol style="list-style-type: none">Achieve or aim to achieve green building certification:<ul style="list-style-type: none">BREEAM Outstanding or Excellent, and/orLEED Platinum or Gold, and/orAny other equivalent or higher level of certification.with,<ol style="list-style-type: none">A high level of energy efficiency, meeting the requirements of the above-listed green building certification levelsSelection of sustainable materials as evidenced by the number of materials-related credits achieved in the above-listed green building certificationsSustainability clauses included in leasing contractsReduce embodied carbon emissions in construction, in line with our Sustainability Brief for Developments²:<ul style="list-style-type: none">Achieve or aim to achieve embodied carbon intensity of 900 kgCO₂e/m² for commercial office buildings and 500 kgCO₂e/m² for retail³, and/orAt least 15% reduction in embodied carbon emissions (stages A1:A5 emissions), measured against the design stage baseline (RIBA stage 3) baseline, as per the RICS Professional Statement 'Whole life carbon assessment for the built environment, 2017'Achieve or aim to achieve best practice in energy efficiency performance:<ul style="list-style-type: none">EPC B or above, and/orNABERS Energy 4 stars or above, and/orAny other equivalent or higher level of certification. <p>B. Portfolio projects and minor refurbishments⁴ of commercial buildings that improve or aim to improve the energy efficiency performance of the building or space, achieving:</p> <ul style="list-style-type: none">At least 30% improvement in energy efficiency, and/orEPC B or above, and/orNABERS Energy 4 stars or above, and/orAny other equivalent or higher level of certification, <p>whilst sourcing sustainable materials, in compliance with Landsec Sustainability Brief for Developments, Landsec Materials Brief and Landsec internal sustainability preliminaries.</p>

Eligible Green Projects are related to existing buildings that are not already included as part of Eligible Green Assets and shall meet the eligibility criteria defined below. In addition to the description of eligibility criteria, examples of projects that fit the eligibility criteria are provided. It is important to note that, as technology changes, the example of projects aligned with the description of eligibility criteria may similarly evolve.

Eligible Green Category	Description of Eligibility Criteria
Renewable Energy	<p>Projects related to renewable energy, including investments in renewable energy generation and associated low carbon technologies:</p> <ul style="list-style-type: none"> — Installation of on-site renewable electricity generation technology from solar and/or wind sources, e.g. solar photovoltaic panels — Installation of energy storage technology, e.g. batteries — Installation of renewable heat technology, e.g. air and ground source heat pumps
Energy Efficiency	<p>Projects related to energy efficiency improvement aiming to achieve at least 30% improvement, including investments in:</p> <ul style="list-style-type: none"> — Fine tuning and optimisation measures on central plant — Improving or replacing ancillary plant, with energy efficient alternatives, e.g. lifts, escalators — Improving energy efficiency of HVAC systems, e.g. VSD, insulation, CO₂ monitors, air curtains — Installation of energy efficient lighting systems, e.g. LED lighting
Sustainable Water and Wastewater Management	<p>Projects related to water efficiency improvement of buildings aiming to achieve at least 10% improvement, including investments in:</p> <ul style="list-style-type: none"> — Low water flow fixings, such as electronic infrared sensor taps and aerated taps — Water efficient urinals, including PIR urinal flushing systems and water conserving urinals — Installation of water leakage detection systems
Waste Management	<p>Projects relating to improvement of recycling and recovery rates, including investments in:</p> <ul style="list-style-type: none"> — Installation of advanced on-site recycling facilities, e.g. aerobic digestion, reverse vending machine
Clean Transportation	<p>Projects related to promoting the use of low carbon transport, including investments in:</p> <ul style="list-style-type: none"> — Installation or improvement of cycling facilities, e.g. bicycle storage systems, shower rooms and lockers — Installation of electric vehicle (EV) charging points

Process for Project Evaluation and Selection

Landsec's Sustainability Committee is the main forum for overseeing the Sustainability strategy and targets for the Group. The Committee is chaired by the Chief Executive and is attended by the Head of Corporate Affairs and Sustainability and Group HR Director – all members of our Executive Committee – together with our Sustainability Director, and senior representation from property and development teams. The Sustainability Committee meets quarterly and is the senior forum for determining our sustainability strategy and reviewing performance.

Landsec has further strengthened the integration of sustainability into our business model by setting up a dedicated cross-departmental Green Bond Committee (GBC) to identify, select and monitor Eligible Green Assets and Projects to be funded by Green Bonds. The GBC comprises of members of the Sustainability Committee, in addition to the Group Treasurer.

The GBC's role will be to:

1. Review, select and validate the pool of Eligible Green Assets and Projects, based on the Green Bond Framework;
2. Validate annual reporting for investors;
3. Monitoring the on-going evolution related to the Sustainable Capital Markets in terms of disclosure/ reporting in order to be in-line with market best practices; and
4. Review the Framework to reflect any changes with regards to the company's sustainability strategies and initiatives

The GBC will meet at least semi-annually following the issue of a Green Bond, or as further required in order to review and approve allocation of proceeds and reporting.

Management of Proceeds

The net proceeds from Landsec's Green Bond will be deposited in a general account and an amount equivalent to the net proceeds will be earmarked for allocation to the Eligible Green Assets and Projects as selected by the GBC. The process will be in accordance with Landsec's Green Bond Framework.

All relevant information regarding the issuance of the Green Bond, Assets and Projects (re)financed will be monitored and kept in its reporting systems. The balance of the tracked proceeds should be adjusted monthly, in order to match allocations to Eligible Green Assets and Projects (re)financed during this period.

Net proceeds can refinance Eligible Green Assets and Projects delivered up to 36 months before the issuance of Green Bond.

Landsec will use its best efforts to substitute any Green Assets and Projects that are no longer eligible or which have been disposed of as soon as practicable once an appropriate substitution option has been identified.

The payment of principal and interest on the Green Bond issued by Landsec under the Green Bond Framework will be made from its general funds and will not be linked to the performance of any Eligible Green Assets and Projects.

Unallocated Proceeds

Pending the allocation or reallocation, as the case may be, of the net proceeds, Landsec will invest the balance of the net proceeds, at its own discretion, in cash and/or cash equivalents and/or other liquid marketable instruments, as per the company's liquidity management policy.



Reporting

Group sustainability reporting

We're committed to reporting our performance, methodology and data every year in a transparent way. Information on how sustainability is embedded across the business is disclosed in the Physical Review and Social Review, within Landsec's Annual Report.

Further details of our sustainability performance against our corporate commitments, along with European Public Real Estate Association (EPRA) Best Practice Recommendations for Sustainability reporting and Task Force on Climate-Related Financial Disclosures (TCFD) are reported in our Sustainability Performance and Data report.

Landsec already has a robust sustainability reporting process in place which is third-party assured. Sustainability performance metrics reported at Group level include: energy consumption, GHG emissions (Scope 1, Scope 2 and full Scope 3), water consumption, waste generation and treatment method and building certification. Each metric is reported on in two portfolios: absolute and like-for-like:

- Absolute portfolio: includes all properties where Landsec has 'operational control', where the company purchases energy or appoint agents who control the purchase of energy;
- Like-for-like portfolio: based on the EPRA Financial BPR like-for-like definition for rental growth reporting. It includes all properties which have been in the portfolio for at least 12 months prior to the reporting period, but excluding those which were acquired, sold, or included in the development pipeline at any time since.

Group sustainability reporting can be found within the Group's Annual Report, which can be found on Landsec's website at landsec.com/investors/reports, and within our Sustainability Performance and Data Report which can be found at landsec.com/sustainability/reports-benchmarking.

Green Bond report

Landsec will separately report on the allocation of net proceeds and associated impact metrics of the Green Bond within one year from issuance date and annually thereafter until the proceeds have been fully allocated, and as necessary to meet best practice in the market.

This report will be published on Landsec's website at landsec.com/investors/debt-investors.

Allocation Report

The allocation reporting within the Green Bond report will include:

- The list of Eligible Green Assets and Projects (re)financed;
- The aggregated amount of allocation of the net proceeds to the Eligible Green Assets and Projects for each of the Eligible categories;
- The proportion of net proceeds used for financing versus refinancing; and,
- The balance of any unallocated proceeds invested in cash and/or cash equivalents

Impact Report

Within the Green Bond report, Landsec will report on the impact of the Eligible Green Assets and Projects, providing relevant qualitative and quantitative performance measures associated with appropriate eligible category. Subject to confidentiality agreements, competitive considerations, or a large number of underlying projects limiting the amount of detail that can be made available, the information may be presented on an aggregated portfolio basis. Impact metrics may include, but are not limited to:

- Building certification (scheme and rating)
- Carbon emissions (tCO₂e) and/or intensity (tCO₂e/m²)
- On-site renewable electricity capacity (kW) and/or generated (kWh)
- Energy consumption (kWh) and/or intensity (kWh/m²)
- Water consumption (m³) and/or intensity (m³/m²)
- Waste recycled and/or diverted from landfill (% of total waste generated)
- Number of Electric Vehicle (EV) charging points

This report will be published as a standalone Green Bond report made available at landsec.com/investors/debt-investors.

External Review

Second Party opinion:

The second party opinion (SPO) provider Sustainability has reviewed Landsec's Green Bond framework and certified its alignment with ICMA's Green Bond Principles 2018.

The SPO will be made available at landsec.com/investors/debt-investors.

Post issuance verification:

The allocation of Green Bond proceeds, adherence to Green Assets and Projects selection criteria, and environmental metrics will be reviewed by an independent third party assurer. The Limited Assurance letter will be made available on Landsec's website at landsec.com/investors/debt-investors.

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